OFFICE OF THE

Auditor General of British Columbia

Service Plan 2007/08 – 2009/10

Serving the Legislative Assembly and the People of British Columbia

February 2007

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OFFICE OF THE
Auditor General
of British Columbia

LOCATION:
8 Bastion Square
Victoria, British Columbia
V8V 1X4

OFFICE HOURS:
Monday to Friday
8:30 a.m. – 4:30 p.m.

TELEPHONE:
250 387-6803
Toll free through Enquiry BC at: 1 800 663-7867
In Vancouver dial 660-2421

FAX: 250 387-1230

E-MAIL: bcauditor@bcauditor.com

WEBSITE:
This report and others are available at our Website, which also contains further information about the Office: www.bcauditor.com

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OFFICE OF THE
Auditor General of British Columbia

8 Bastion Square
Victoria, British Columbia
Canada V8V 1X4
Telephone: 250 387-6803
Facsimile: 250 387-1230
Website: http://bcauditor.com

The Honourable Bill Barisoff
Speaker of the Legislative Assembly
Province of British Columbia
Parliament Buildings
Victoria, British Columbia
V8V 1X4

Dear Sir:

I have the honour to transmit to the Legislative Assembly of British Columbia my Office's Service Plan 2007/08–2009/10.

Arn van Iersel, CGA
Acting Auditor General

Victoria, British Columbia
February 2007

Copy: Mr. E. George MacMinn, Q.C.
Clerk of the Legislative Assembly

LEGISLATIVE ASSEMBLY
VICTORIA, B.C.
MAR 0 2 2007

2007-04811/

Table of Contents

Message from the Auditor General 1

Introduction 3

Strategic Context 3

Responding to Our Current Operating Environment 4

Performance Reporting Framework 8

Goals, Objectives and Activities 11

Performance Measures 17

Financial Plan 18

Appendix 1: Performance Measure Descriptions, Targets and Data Sources 21

Appendix 2: Vision 2011 Work Environment and Operating Plan 24

2007-04811/

Table of Contents

Message from the Auditor General 1

Introduction 3

Strategic Context 3

Responding to Our Current Operating Environment 4

Performance Reporting Framework 8

Goals, Objectives and Activities 11

Performance Measures 17

Financial Plan 18

Appendix 1: Performance Measure Descriptions, Targets and Data Sources 21

Appendix 2: Vision 2011 Work Environment and Operating Plan 24

Message from the Auditor General

I have now been Acting Auditor General for nine months. During this time, my executive team and I have led a number of important strategic changes for the Office. With respect to this Service Plan, the most significant changes to highlight are our new five-year vision, mission and goals. These were developed in large part during two staff strategic planning sessions held in the summer of 2006. Involving staff in the development of a new vision was one of my immediate priorities in taking on this position.

As a natural step — and again, based on staff input — the Office was reorganized to mirror our key goals. I believe this reorganization will help staff work together in a more effective operating model so that the maximum amount of audit work can be delivered to best meet the needs of the Legislative Assembly and the public. It also is intended to give us greater flexibility in addressing the desires of staff with respect to their work and career aspirations.

This Service Plan continues the momentum created by these changes. It highlights an ambitious work plan and revised performance measures. These new elements will help inform the Legislative Assembly and the public about what the Office is delivering for the increased investment being made in it by the taxpayers of this province. This Service Plan provides a very open and transparent overview about the Office's plans, priorities and deliverables. It is also consistent with the 2007/08 Business and Financial Plan presented to and supported by the Select Standing Committee on Finance and Government Services in December 2006.

As I have recently announced, I will continue in this position until June 2, 2007. Until that time, I intend to keep up the pace of activity within the Office and to work hard in achieving our vision of being a highly valued legislative audit office, recognized for excellence in promoting effective and accountable government. Through all of these efforts, I believe that the Office will be well-positioned to continue fulfilling this vision over the coming years.

It has been my pleasure and honour to serve as the Acting Auditor General and I would like to wish the Office the very best as it continues to pursue the initiatives we, together, have started.

Arn van Iersel
Acting Auditor General
February 2007

Introduction

A number of significant corporate initiatives for the Office have been undertaken since the appointment of the Acting Auditor General in June 2006:

- A new vision, mission and goals have been established to reflect where the Office would like to be in five years.
- The Office has been reorganized to better align staff with our key goals.
- A Vision 2011 work environment and operating plan has been developed to improve internal operations and the Office's ability to attract and retain staff.
- Two planning sessions (employee cafés) have been conducted to obtain staff input and involvement in setting the Office's future direction.
- A request for funding from the Legislature has resulted in a significant budget increase that will enable the Office to pursue its new vision and address many of its challenges, opportunities and gaps.

This Service Plan builds on these changes by outlining new objectives, performance measures and targets. Key activities that directly support these strategic elements are also described.

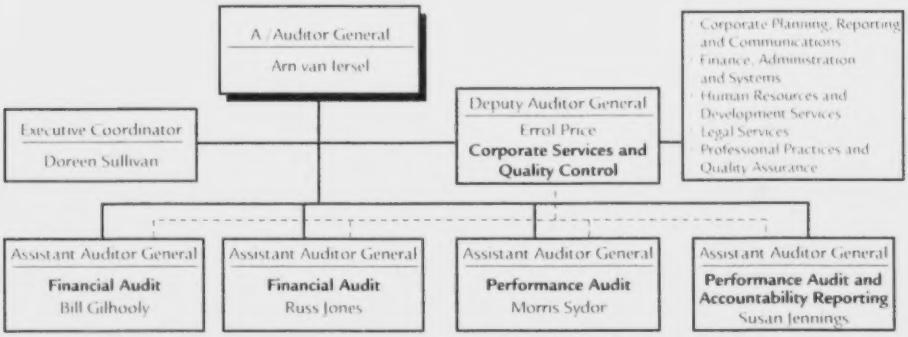
Strategic Context

The Auditor General is an Officer of the Legislature of British Columbia, appointed by the Legislative Assembly. Non-partisan, objective and independent of government, he or she reports impartial assessments of how well government is managing its responsibilities and resources.

The Auditor General's mandate is established by the Auditor General Act. The Act requires the Auditor General to audit the government's Summary Financial Statements, and allows the Auditor General to be appointed as the financial statement auditor of any government organization or trust fund. The Act also allows the Auditor General to carry out examinations focusing on whether government or a government organization is operating economically, efficiently and effectively; and whether the accountability information provided to the Legislative Assembly by government is adequate.

To best carry out our mandate, we have three lines of business: financial audit, performance audit and accountability reporting. Each of these lines of business are organized into portfolios as indicated by Exhibit 1. To support these areas, the Office also provides corporate services and quality control.

Exhibit 1
Organization chart



Most of our employees have accounting designations, and many of those individuals also have additional credentials and a broad experience base. As well, we have subject-matter experts in areas such as business and public administration, law, social and environmental sciences and health care. Our Office is further supported by a strong team of administrative and support staff that make us all more effective in what we do. In 2007/08, the Office plans to increase its staff capacity to 99 permanent employees.

Responding to Our Current Operating Environment

Challenges, Opportunities and Gaps

As mandated by the Auditor General Act, our Office is uniquely responsible for auditing more than $34 billion in provincial finances, programs/services and accountability information.

In delivering on this major responsibility, we outlined in our 2007/08 Business and Financial Plan our primary challenges, opportunities and gaps. We presented this plan to the Select Standing Committee on Finance and Government Services in December 2006 to assist the Committee in making its recommendation on the Office's budget. Among the challenges, opportunities and gaps we identified were:

- attracting and retaining qualified staff;
- continuing to meet audit standards;
- addressing operational cost pressures;

- delivering essential performance audits;
- capitalizing on our existing strengths; and
- increasing our focus on accountability reporting.

The Committee recommended a significant funding increase for 2007/08 of approximately 20%, which allows us to make progress in facing our challenges, opportunities and gaps.

This increase provides the needed resources that will enable us not only to deliver on the goals and objectives related to our financial and performance audits, but also to continue adopting best practices within our operations and as an employer. Our accountability reporting audit work will carry on as before, but increasing our efforts in this area remains a gap in the Office's ability to fully deliver on its mandate. Even so, we believe the Legislative Assembly has shown great confidence in our work by providing this increased level of funding for our Office.

We have informed the Select Standing Committee that additional funding increases will be required to sustain our ability to address our challenges, opportunities and gaps in future years. Overall, five years of financial information was presented to the Committee in December 2006.

Major Risks and Our Risk Management Approach

The Office faces several continuing significant risks in effectively delivering our mandate. These and the actions we are taking to manage them are described below.

Capacity

We cannot be successful if we are not able to recruit and retain high quality professionals.

The most important component of our capacity is our people. Over 70% of our resources are salary and benefits. The Office now has the funding to hire additional staff to meet its increased work plan commitments in 2007/08. However, there remains a significant risk in our being able to actually recruit and retain staff given current salary levels. The demand for qualified accounting professionals continues to grow and the Office competes not only with the public sector, but also with private sector auditing firms.

The Office has been awaiting decisions on a government-wide salary policy, supported by additional funding, to enable a temporary salary adjustment based on market demand and use of the salary flexibility related to the new Management Classification and Compensation Framework.

However, decisions/actions to date have not yet enabled us to adequately alleviate our salary pressures and recruitment challenges. We will soon need to take action or we may be unable to fully deliver on our work plan commitments for 2007/08.

Credibility

We cannot be successful if we provide inappropriate or incorrect assurance and advice. Our reputation is critical to our success.

Our credibility is essential to our role as British Columbia's Auditor General. This role comes with an important responsibility to the people of the province to "get it right." We face a significant risk to our credibility if our work is not supported by sound evidence and processes.

We strive to preserve our credibility by having in place effective quality control policies and procedures to help ensure that our work meets professional auditing standards.

Independence and Objectivity

We cannot be successful if we lose, or are perceived to lose, our independence or objectivity.

The primary value of our Office is that we provide legislators, the public and government with independent assessments about the performance of government and its organizations. If that independence were compromised, our perceived value would be severely diminished. Accordingly, we devote considerable management attention to our independence.

The Auditor General Act also has a number of provisions to safeguard our independence. For example, the Auditor General reports directly to the Legislative Assembly, not to the government of the day.

As well, under Canadian generally accepted auditing standards, we are required to perform all assurance engagements with due care and with an objective state of mind. Our audit methodologies and quality control processes are designed to ensure that individually and collectively we meet this standard in all our work.

Relevance

We cannot be successful if we do not adequately understand or respond to the information needs of the Legislative Assembly and the public.

Our relevance depends on our understanding the needs of our main client groups—the legislators and the general public—and being able to deliver information on a range of audit and accountability reporting topics that they find important. To keep our understanding current, we conduct an annual survey of members of the Select Standing Committees on Finance and Government Services and Public Accounts. We specifically ask how much they value the work of the Office and invite their suggestions on how we can better serve their needs. We have also committed to surveying annually the general public on its views of the value of our audit work.

We carry out other activities to gain knowledge about key issues including holding regular discussions with senior management in government and keeping informed of current issues related to the delivery of provincial services.

In addition, we must be flexible in carrying out our audit work and respond to changes in circumstances, legislation and/or public interest, to ensure we are responsive to the needs of the Legislative Assembly and public.

The collective results of these activities help us to shape our work plan so that we provide the most relevant information possible, given our broad mandate.

Work Environment

We cannot be successful if we do not have the necessary mechanisms and tools —planning, human resource management, training, information systems and business supports—that we require to do our work competently, efficiently and effectively.

Our audit staff requires strong administrative, technical and professional development support, as well as an appropriate physical work environment. Support activities such as corporate planning, information technology and financial and administrative services are a necessary and integral part of our organization. We strive to provide these support functions to our audit staff so that all members have the right knowledge, tools and resources, e.g., training and project management supports, to perform effectively and efficiently.

We further aim to be an employer of choice in attracting and retaining staff through effective human resource planning and management. This means actively listening to staff and meeting their personal needs in line with corporate goals and objectives.

Performance Reporting Framework

Strategic Overview

As an initiative of the Acting Auditor General, the Office redefined its vision, mission and goals in October 2006 (Exhibit 2). These strategic elements were revised based on the views of staff, executive and a review of the strategic plans of other legislative audit offices. In addition, the views of legislators influenced our general direction. The changes reflect the Office's desire to be forward-looking, outcomes-based and relevant to the Legislative Assembly and public.

To guide our efforts on these changes, we also developed attributes to further describe our vision (see Exhibit 2) and revised our corporate values to differentiate between an external focus and an internal focus, as set out below.

External focus:

- Independence: providing impartial and objective opinions and advice
- Integrity: taking a fair, balanced and evidence-based approach
- Open communications: informing our stakeholders throughout our work
- Service-focused: being accountable and holding professionalism at the forefront

Internal focus:

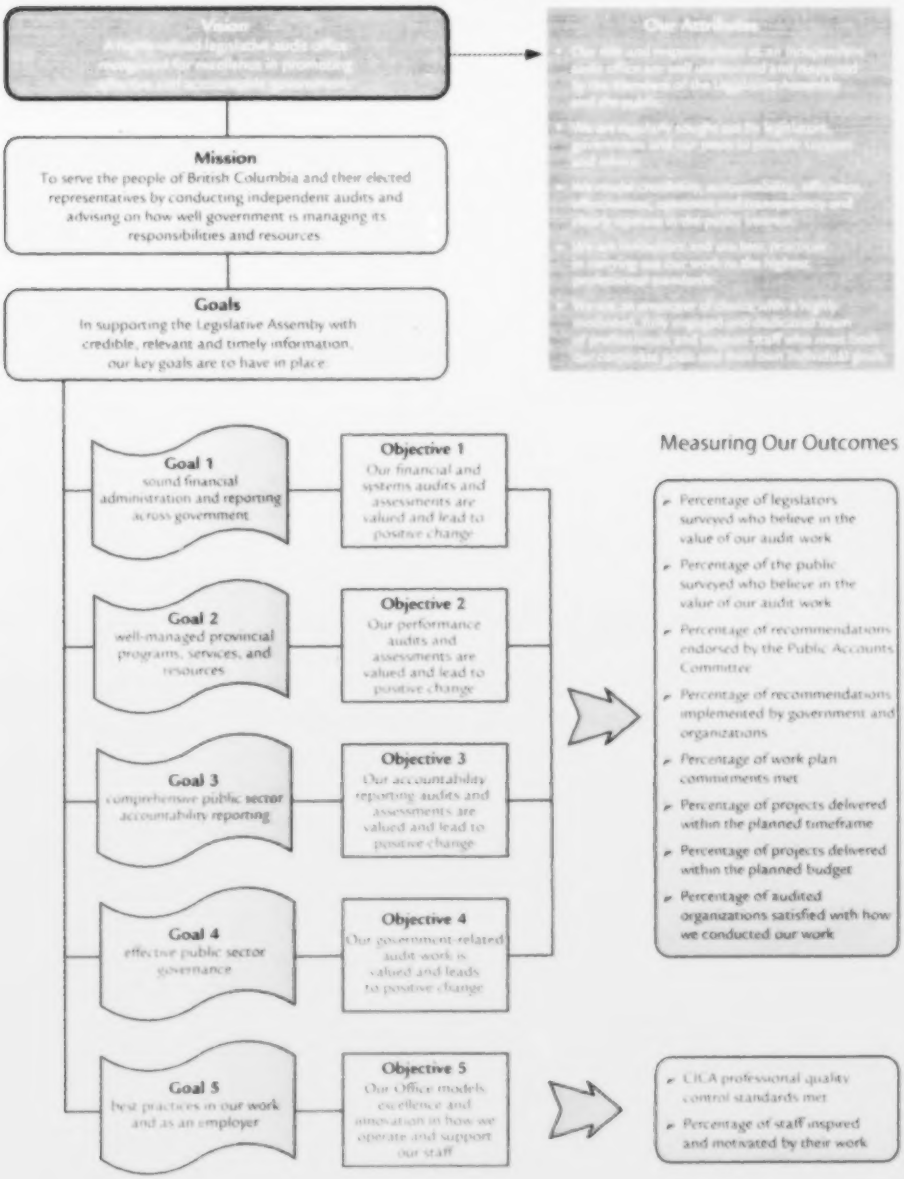
- Teamwork: cooperating, supporting and respecting each other's contributions
- Work-life balance: respecting quality-of-life and personal commitments

These values are reflected in our standards of service which focus on:

- approaching our work in a fair and constructive way;
- providing accurate, reliable assessments and sound advice; and
- building strong relationships.

Our Performance Plan

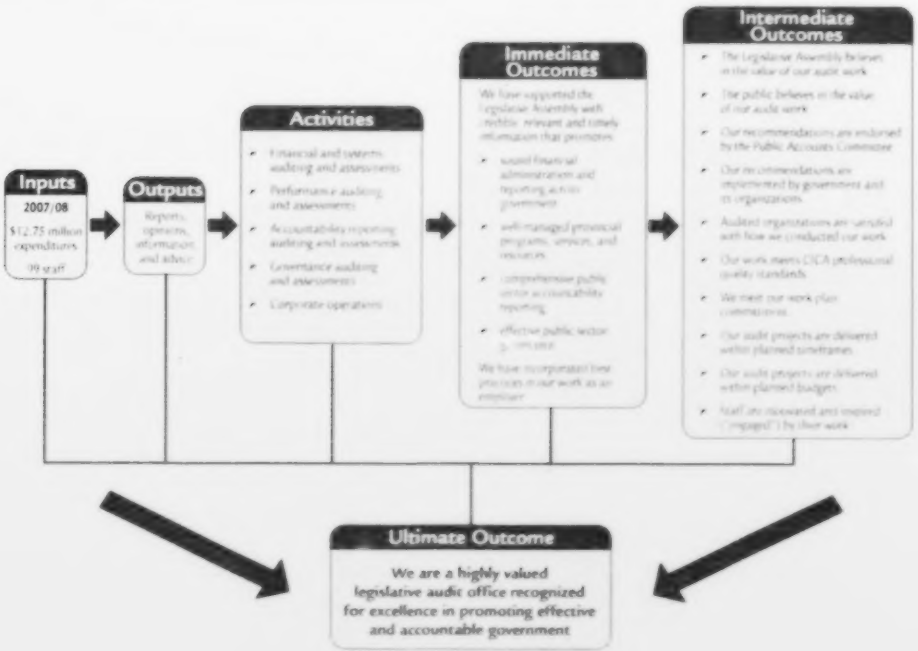
Exhibit 2
Performance reporting framework of our Office


Vision
Mission
To serve the people of British Columbia and their elected representatives by conducting independent audits and advising on how well government is managing its responsibilities and resources.
Goals
In supporting the Legislative Assembly with credible, relevant and timely information, our key goals are to have in place:
Goal 1
sound financial administration and reporting across government
Goal 2
well-managed provincial programs, services, and resources
Goal 3
comprehensive public sector accountability reporting
Goal 4
effective public sector governance
Goal 5
best practices in our work and as an employer
Objective 1
Our financial and systems audits and assessments are valued and lead to positive change
Objective 2
Our performance audits and assessments are valued and lead to positive change
Objective 3
Our accountability reporting audits and assessments are valued and lead to positive change
Objective 4
Our government-related audit work is valued and leads to positive change
Objective 5
Our Office models excellence and innovation in how we operate and support our staff
Measuring Our Outcomes
Percentage of legislators surveyed who believe in the value of our audit work
Percentage of the public surveyed who believe in the value of our audit work
Percentage of recommendations endorsed by the Public Accounts Committee
Percentage of recommendations implemented by government and organizations
Percentage of work plan commitments met
Percentage of projects delivered within the planned timeframe
Percentage of projects delivered within the planned budget
Percentage of audited organizations satisfied with how we conducted our work
CICA professional quality control standards met
Percentage of staff inspired and motivated by their work

The Link Between Our Outcomes and Our Operations

While Exhibit 2 provides a strategic overview of what the Office has set out to accomplish (our outcomes), Exhibit 3 shows how our outcomes link to our operations.

Exhibit 3
Operational logic model



Goals, Objectives and Activities

In keeping with our strategic changes, we have developed new objectives and refined our performance measures.

The Office's key activities to support its goals and objectives are also described below.

In supporting the Legislative Assembly with credible, relevant and timely information, our key goals are to have in place:

Goal 1: Sound financial administration and reporting across government

Objective: Our financial and systems audits and assessments are valued and lead to positive change

Key Activities for 2007/08 – 2009/10

- Develop a work plan that focuses our financial and systems (information technology) audits on issues that are highly relevant to the public and Legislative Assembly.
- Audit the reliability and fairness of government's Summary Financial Statements (includes audit work in 19 ministries) and report on the results of our audit of the Public Accounts.
- Audit the reliability and fairness of selected financial statements prepared by public sector organizations (e.g., BC Assessment Authority, School District No. 68 and Tourism BC).
- Oversee the private-sector audits of selected financial statements prepared by public sector organizations (e.g., BC Institute of Technology, Provincial Health Services Authority and the Insurance Corporation of BC).
- Carry out four to six audits focusing on important financial management areas and two audits focusing on information technology management areas.
- Assess the extent to which our recommendations have been implemented in the areas of financial management and systems on one to three of our previous reports.
- Produce at least one best practice guide related to financial management or information technology systems.
- Provide timely advice on new accounting and accountability issues resulting from changes or new initiatives within government.
- Determine the extent to which our work has added value in this area.

Table 1 outlines financial statement, financial management and systems audits we propose to undertake during the next three years. This table is generally consistent with the 2007/08 Business and Financial Plan presented to the Finance and Government Services Committee in December 2006 and any changes have been noted.

Our Performance Plan

Table 1: Financial Statement, Financial Management and Systems (Information Technology) Audit Work Plan — Opinions and Reports

2007/08	2008/09	2009/10
Financial Statement		
3-Year Financial Statement Audit Coverage Plan	3-Year Financial Statement Audit Coverage Plan	3-Year Financial Statement Audit Coverage Plan
Audit Opinion on the Summary Financial Statements – includes audit work in 19 ministries	Audit Opinion on the Summary Financial Statements – includes audit work in 19 ministries	Audit Opinion on the Summary Financial Statements – includes audit work in 19 ministries
21 direct audits of public sector organizations [1]	18 direct audits of public sector organizations [1]	19 direct audits of public sector organizations [1]
Oversight audit role for 19 public sector organizations [1]	Oversight audit role for 21 public sector organizations [1]	Oversight audit role for 20 public sector organizations [1]
Report on the Public Accounts	Report on the Public Accounts	Report on the Public Accounts
Financial Management and Internal Control		
Control review I – Vancouver Trade and Convention Centre expansion procurement	Control review II – municipal infrastructure grants	Control review III – custody and control of assets
Olympics [2]	Olympics	Olympics
Sierra Yoyo Desan Road	Review of alternative governance (foundations, trusts, regulated organizations)	Review of financial budgeting, forecasting and reporting
Film Tax Credit program	Energy royalty system	Forest revenue system
Alternative Service Delivery [3]	Federal Government transfers and reliance on the federal taxation system	Medical Services Plan [4]
Follow-up reports (1 to 2 reports)	Follow-up reports (1 to 2 reports)	Follow-up reports (1 to 2 reports)
Best practice guide (minimum of 1 guide related to financial management or information technology)	Best practice guide (minimum of 1 guide related to financial management or information technology)	Best practice guide (minimum of 1 guide related to financial management or information technology)
Systems (Information Technology)		
Comet 2 (shared case management) system [5]	Management Information System (income assistance)	Single sign-on (government employee portal)
Banking and cash management	Revenue management system	Liquor Distribution Board – Supply chain system
Follow-up report (1 report)	Follow-up report (1 report)	Follow-up report (1 report)

[1] The specific public sector organizations we plan to audit are outlined in our 2007/08 – 2009/10 Financial Statement Audit Coverage Plan.

[2] The 2007/08 Olympics project replaces the Review of Treasury Board operations project which was proposed in our 2007/08 Business and Financial Plan.

[3] This report was moved forward from 2006/07 to accommodate a priority audit that arose during the year.

[4] The Medical Services Plan project replaces performance-based pay in the public sector project which was proposed in our 2007/08 Business and Financial Plan. The MSP project will be a joint financial and performance audit.

[5] The report topic, BC Government Provincial Network (SPAN BC) IP addresses, proposed in our 2007/08 Business and Financial Plan has been replaced. The topics identified for subsequent years have been moved up in terms of timing.

Goal 2: Well-managed provincial programs, services and resources

Objective: Our performance audits and assessments are highly valued and lead to positive change

Key Activities for 2007/08 – 2009/10

- Develop a work plan that focuses our performance audits on issues that are highly relevant to the public and Legislative Assembly.
- Determine how well government has managed its responsibilities on seven to eight significant provincial programs and service areas.
- Assess the extent to which our recommendations have been implemented on two to four of our previous reports.
- Produce one best practice guide related to the management of provincial programs, services and resources.
- Determine the extent to which our work has added value in this area.

Table 2 outlines performance audits we propose to undertake during the next three years The timeframe outlined indicates the year in which the audit reports will be published, but in many cases, it reflects audit work begun in the prior year. This table is generally consistent with the 2007/08 Business and Financial Plan presented to the Finance and Government Services Committee in December 2006 and any changes have been noted below.

Table 2: Performance Audit Work Plan — Reports

2007/08	2008/09	2009/10
Training and apprenticeships	Post-secondary student retention and completion	Teacher education
Literacy	Aboriginal education funding	Capital construction in the education sector
Access to health services	Mental health and addictions	Electronic health records
Complex health care	Contaminated sites – oil, gas and mining	Early childhood development
Children and youth mental health	Climate change	Ambulance services
Forest worker safety	Housing and homelessness	Agricultural Land Reserve
Improving seismic safety in schools	Municipal Grant program[1]	Foster care
Highway maintenance	First Nations child protection[2]	Medical Services Plan
Follow-up reports (2 to 4 reports)	Follow-up reports (2 to 4 reports)	Follow-up reports (2 to 4 reports)
Best practice guide (1 guide)	Best practice guide (1 guide)	Best practice guide (1 guide)

[1] This report will be completed under Table 1 as Control Review II.
[2] This report was identified as Transformation of children's services in our 2006/07 Business and Financial Plan.

Goal 3: Comprehensive public sector accountability reporting

Objective: Our accountability reporting audits and assessments are valued and lead to positive change

Key Activities for 2007/08 – 2009/10

- Develop a work plan that focuses our accountability reporting projects on issues that are highly relevant to the public and Legislative Assembly.
- Provide independent assurance on the annual performance reports of three provincial agencies: WorkSafe BC, the BC Assessment Authority and the Public Guardian and Trustee.
- Review and report on prominent issues related to accountability reporting (e.g., legislators as key users of accountability information).
- Continue to promote the importance of comprehensive accountability reporting (e.g., work with other accounting and auditing organizations).
- Assess the BC reporting principles in relation to the Canadian Institute of Chartered Accountant's Statement of Recommended Practice on public performance reporting.
- Produce one best practice guide related to accountability reporting.
- Determine the extent to which our work has added value in this area.

Table 3 outlines the accountability reporting projects we propose to undertake during the next three years. This table is generally consistent with the 2007/08 Business and Financial Plan presented to the Finance and Government Services Committee in December 2006 and any changes have been noted below.

Table 3: Accountability Reporting Work Plan — Reports

2007/08	2008/09	2009/10
Accountability Reporting – capacity-building with government	Accountability Reporting – capacity-building with government	Accountability Reporting – capacity-building with government
Trends and opportunities in performance reporting	Program evaluation – report on practices	Education – a model for reporting (collaborative audit – CCOLA)
Independent assurance on WorkSafe BC's Performance Report	Independent assurance on WorkSafe BC's Performance Report	Independent assurance on WorkSafe BC's Performance Report
Independent assurance on BC Assessment Authority's Annual Service Plan Report	Independent assurance on BC Assessment Authority's Annual Service Plan Report	Independent assurance on BC Assessment Authority's Annual Service Plan Report
Independent assurance on the Performance Report of the Public Guardian and Trustee	Independent assurance on the Performance Report of the Public Guardian and Trustee	Independent assurance on the performance report of a Crown agency
Uses and users report – legislators as key users	Best practice guide (1 guide)	Best practice guide (1 guide)

Goal 4: Effective public sector governance

Objective: Our governance-related audits and assessments are valued and lead to positive change

Key Activities for 2007/08 – 2009/10

- Provide information that supports strengthened governance practices for government organizations.
- Review specific governance issues as part of our financial, performance and accountability reporting work, e.g., review of alternative governance in Table 1.
- Determine the extent to which we have supported public sector governance responsibilities.

No separate work plan has been identified for this goal because we do not have a separate line of business for it. Rather, the work is integrated into the three work plans described above.

Goal 5: Best practices in our work and as an employer

Objective: Our Office models excellence and innovation in how we operate and support our staff

Key Activities for 2007/08 – 2009/10

- Ensure we are accountable and responsive to the needs of the Legislative Assembly and the public.
- Enhance our internal performance management framework.
- Provide input into the development of, and perform our work in accordance with, generally accepted audit standards set by the Canadian Institute of Chartered Accountants.
- Implement our five-year work plan that sets out process improvements in our work environment and operations (see Appendix 2).
- Provide the tools and resources for employees to do their jobs effectively.
- Support recruitment and training needs to strengthen the Office's audit capacity.
- Maintain a positive, motivating work environment that exemplifies our corporate values.

Table 4 outlines the corporate reports we propose to undertake during the next three years.

Table 4: Corporate Work Plan — Reports

2007/08	2008/09	2009/10
2008/09 Business and Financial Plan	2009/10 Business and Financial Plan	2010/11 Business and Financial Plan
3-Year Service Plan	3-Year Service Plan	3-Year Service Plan
2006/07 Annual Report	2007/08 Annual Report	2008/09 Annual Report

Performance Measures

We have refined the Office's performance measures based on our new vision, mission, goals and objectives. We started by assessing how well our previous 18 measures reflected our new approach. A primary consideration was to focus the performance measures on the few, critical aspects of performance that we believe the Legislative Assembly and public would find most relevant (consistent with principle 3 of the BC Reporting Principles).

While fewer in number than before, we believe the 10 measures shown in Exhibit 4 actually provide more meaningful information, at a summary level, to indicate how successfully we are meeting our vision, mission, goals and objectives.

Our measures are predominantly outcomes-based and linked directly to our five goals and objectives. Five of these measures will report on a wider range of information. For example, measure #1 now covers the full range of the Office's audits and assessments, unlike our three previously separate measures that reported on individual types of audit work. There are also two new measures: one focused on the views of the public (measure #2) and the other focused on how effectively we deliver our planned commitments (measure #5). The remaining three measures are as reported in prior years. Appendix 1 provides a detailed description of our performance measures, targets and data sources.

Exhibit 4

Summary of performance measures and targets

	Performance Measures	2005/06 Actual	2006/07 Target	2007/08 Target	2008/09 Target	2009/10 Target
Links to Goals and Objectives 1-4	1. % of legislators surveyed who believe in the value of our audit work	96%	96%	96%	96%	96%
	2. % of the public surveyed who believe in th value of our audit work	82%	82%	82%	82%	82%
	3. % of recommendations endorsed by PAC	100%	100%	100%	100%	100%
	4. % of recommendations implemented	48%	70%	70%	70%	70%
	5. % of work plan commitments met	n/a	n/a	80%	80%	80%
	6. % of projects delivered within the planned timeframe	82%	85%	85%	85%	85%
	7. % of projects delivered within the planned budget	46%	60%[1]	65%	70%	75%
	8. % of audited organizations satisfied with how we conducted our work	70%	80%	80%	80%	80%
Links to Goal and Objective 5	9. Professional quality control standards met	SC	FC	FC	FC	FC
	10. % of staff motivated and inspired ("engaged") by their work[2]	74%	74%	75%	76%	77%

n/a = not available SC = substantially compliant FC = fully compliant

[1] This target has been revised (see rationale in Appendix 1).

[2] The figures for performance measure #8 relate to how we previously calculated this measure and may be revised.

[3] The targets for this measure have been revised (see rationale in Appendix 1).

Appendix 1 provides a detailed description of our performance measures, targets and data sources.

Financial Plan

Our new goal structure has made linking resources to outcomes more transparent and simpler to describe. Exhibit 5 outlines how much of our resources we expect to allocate to meeting each of our goals in 2007/08.

This resource allocation is based on the $12.75 million budget recommendation that the Select Standing Committee on Finance and Government Services made in December 2006 in response to our 2007/08 Business and Financial Plan.

Previously, we reported on the resources allocated to each line of business. We will now report by goal to better make the link between our resources, activities and results (consistent with principle 5 of the BC Reporting Principles).

Goals 1 to 3 resources include the employee salaries, benefits and associated costs related to our three lines of business: financial audit, performance audit and accountability reporting. Associated costs include office space, equipment and training for these employees. Goal 5 includes the employee salaries, benefits and associated costs for corporate services staff. These employees provide much of the management and supports to assist the organization as a whole in carrying out our three lines of business. There has been no specific planned resource allocation for Goal 4, effective public sector governance, because the outcomes associated with this goal will be delivered within the outcomes reported for our first three goals.

Our increased funding level for 2007/08 enables the Office to dedicate additional resources to goals 1, 2 and 5 in keeping with the work plan commitments made to the Finance and Government Services Committee when we presented our 2007/08 Business and Financial Plan.

Exhibit 5
Planned 2007/08 allocation of resources across our goals

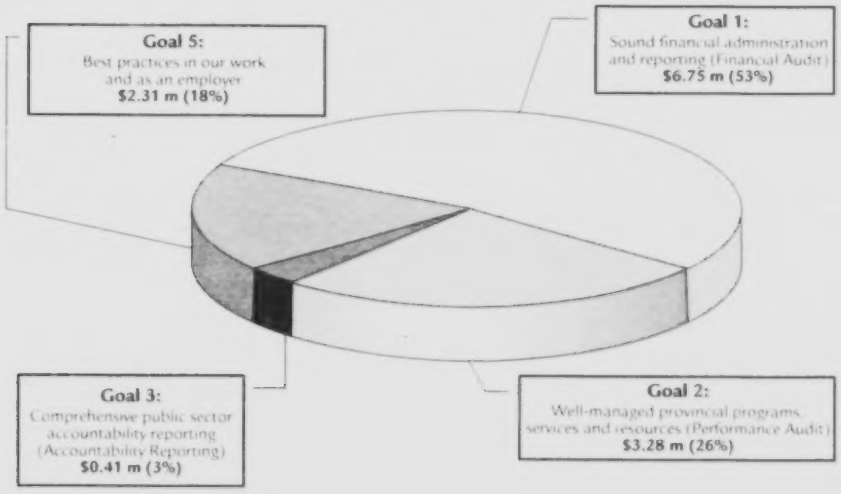

Goal 5:
Best practices in our work and as an employer
$2.31 m (18%)
Goal 1:
Sound financial administration and reporting (Financial Audit)
$6.75 m (53%)
Goal 3:
Comprehensive public sector accountability reporting (Accountability Reporting)
$0.41 m (3%)
Goal 2:
Well-managed provincial programs, services and resources (Performance Audit)
$3.28 m (26%)

Exhibit 6 shows the detailed funding plan submitted to the Finance and Government Services Committee based on its recommended level of funding of $12.75 million in 2007/08. The Committee also recommended the same budget for 2008/09 and 2009/10, but for financial planning purposes only. As required by the Auditor General Act, the Office will be submitting its updated 2008/09 budget requirements next fall for the Committee's consideration as part of its multi-year business and financial plan to achieve Vision 2011.

Exhibit 6
2007/08–2009/10 Funding Plan

	Actual	Actual	Approved	Planned		
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Revenues						
Voted appropriation [1]	7.07	7.67	8.73	10.35	10.35	10.35
Less unused appropriation	(0.08)	(0.27)		–	–	–
Recoveries for services [2]	2.29	2.59	1.94	2.40	2.40	2.40
Other amounts	–	0.27		–	–	–
Total revenues	9.28	10.26	10.67	12.75	12.75	12.75
Operating expenses						
Salaries & Benefits [3]	6.81	7.24	7.58	9.08	9.08	9.08
Professional Services [4]	0.90	1.14	1.24	1.52	1.52	1.52
Rent	0.46	0.52	0.55	0.65	0.65	0.65
Office Expenses	0.37	0.43	0.34	0.41	0.41	0.41
Travel	0.23	0.35	0.32	0.48	0.48	0.48
Information Technology	0.22	0.32	0.28	0.31	0.31	0.31
Amortization	0.15	0.12	0.16	0.12	0.12	0.12
Public Reports	0.08	0.08	0.14	0.12	0.12	0.12
Grants	0.06	0.06	0.06	0.06	0.06	0.06
Total operating expenses	9.28	10.26	10.67	12.75	12.75	12.75
FTEs	**81**	**83**	**89**	**99**	**99**	**99**
Capital						
Authorized	0.20	0.20	0.20	0.16	0.15	0.13
Used	0.16	0.12	0.20	–	–	–

[1] The voted appropriation is the amount the Legislative Assembly approves to fund the majority of costs incurred by the Office primarily in relation to auditing the reliability of the government's Summary Financial Statements, financial management controls and systems; examining how well programs and services are being managed; and assessing the comprehensiveness of public sector accountability reporting.

[2] The Legislative Assembly also authorizes us to recover costs for audit work we perform. Primarily, our recoveries arise from work associated with auditing the financial statements of government organizations. Recoveries are based on attributable salary and benefit costs and an overhead allocation.

[3] The salaries and benefits projected do not reflect the negotiated general wage increases in March 2008 and March 2009. The possible one-time payment to management employees in 2009/10 has also not been projected.

[4] Professional services expenses relate to costs for private-sector audit firms, advisors and contractors we use to assist the Office to carry out its audit work.

Appendix 1: Performance Measure Descriptions, Targets and Data Sources

	Performance Measure
1.	**% of legislators surveyed who believe that our audit work provides value to the public**
	The Office serves Members of the Legislative Assembly (MLAs), as representatives of the public, by directly providing audit reports and opinions on the effectiveness and accountability of government and its organizations. This measure indicates the extent to which MLAs value our audit work. Also, it reflects on our performance in how successfully we are meeting their needs of having credible, relevant and timely information. In prior years, this measure was reported as three individual measures, each focused on one of our lines of business: financial audits, performance audits, and accountability reporting. We now believe that reporting on one summary-level measure provides a better overall assessment of the value of our work. Our work promotes more effective and accountable government and our audits can be controversial and subject to many points of view. For this reason, we have set a 96% target, consistent with the 2005/06 baseline. This target continues to set a very high standard for the Office, but allows for some leeway in reporting how successfully the Office has performed given the nature of our work. Data source: Annual survey of MLAs serving on the Legislative Assembly's Select Standing Committees on Finance and Government Services and Public Accounts.
2.	**% of the public surveyed who believe in the value of our audit work**
	The Office serves the public directly by issuing our audit reports and opinions about the effectiveness and accountability of government and its organizations. This measure indicates how strongly the public values our audit work and reflects on our performance in how successfully we are meeting its needs. In May 2006, for the first time, Ipsos-Reid surveyed the public on our behalf. This 2005/06 result indicated that 82% of the public believed that we provided a valuable service to the province. While the Office does not actively publicize its work, we would like to maintain this high result and have set an 82% target for the next three years, consistent with our 82% 2005/06 baseline. As we gain greater experience with this new measure, we will determine whether higher targets are warranted. Data source: A public opinion poll to be conducted by an external research firm.
3.	**% of recommendations endorsed by Public Accounts Committee (PAC)**
	Each of our reports is referred to the PAC for review and we make presentations to the Committee on our findings and recommendations. Endorsement of our recommendations by the PAC is a key measure of legislators' support of the Office's work. In prior years, this measure focused on the recommendations contained in our performance audits, but this measure will now be expanded to encompass recommendations made in all of the Office's reports made to the Legislative Assembly. Since we implemented this measure in 2002/03, we achieved a 100% success rate annually. We believe we should be able to continue to achieve this high standard even with a broader measure. Data source: PAC reports tabled in the Legislative Assembly.

Appendix 1

	Performance Measure
4.	**% of recommendations implemented**
	This measure provides us with an indication of the attention and support that management of government organizations give to our recommendations. It reports on the percentage of recommendations that have been implemented on our: • financial statement audits within one year; • other audits within two years. Our targets are less than 100% because we know there can be valid reasons why some of our recommendations are not implemented within one or two years. For example, some recommendations are more complex and require longer than two years to implement. Our results since 2002/03 have ranged widely, from 48% to 100%, with no discernible trend. This has made it difficult to set an appropriate target based on past results. Further adding to the difficulty is that, in prior years, this measure focused only on our performance audits, but is now being expanded to encompass all recommendations made by the Office. The Office is also contemplating a new approach to how it follows up on its recommendations. For these reasons, we have set a target of 70% which is an average of the results over the four previous years based on our original measure. We will review this target as we gain more experience with our broadened measure and take into account a likely new approach to our follow-up reviews. Data source: For financial statement audits, results will be based on our subsequent audit work in the following year. For other audits, results will be based on the information from our follow-up reviews until a new follow-up process is established.
5.	**% of work plan commitments met**
	Within this Service Plan, the Office has set out specific work plan expectations for 2007/08 to 2009/10 – for example, four to six financial management reports per year. This new measure will report on how well the Office has met these work plan expectations by comparing how many reports/opinions were published by year-end to how many we planned to publish. The target is less than 100% because it allows us flexibility to adjust our work plan in relation to priorities that arise during the year. For example, given the February 2007 Throne Speech announcements related to environmental and sustainability issues, the Office may need to undertake a specific audit in this area that was not previously planned. Data source: The Office's published plans, reports and audit opinions.
6.	**% of projects delivered within the planned timeframe**
	This measure reports on the timeliness of our audit work in relation to what we planned. Being timely with our audits is embedded within our goals and is a contributing factor to how strongly our audit work is valued by the Legislative Assembly and public. Timeliness also has an internal management perspective and reflects our ability to accurately plan and effectively manage our projects. Since implementing this measure in 2002/03, our results increased from 75% to 90% during the first three years, but reversed its trend down to 82% last year. We will need to monitor the results of this measure to determine if this trend continues. Consequently, we have maintained the 85% target for this measure. Data source: Our internal management information system and public release dates of our reports and opinions.
7.	**% of projects delivered within the planned budget**
	This measure shows the extent to which the actual costs of our audit work are less than the budgeted costs. Similar to our timeliness measure, managing the costs of our audits reflects accurate planning and effective project management. Since implementing this measure in 2002/03, our results have ranged from 39% to 60% depending on the year. Our audits can be complex to manage. Performance audits in particular are unique in terms of subject matter and resource requirements, which make it hard to predict their overall costs. Improving our project management in this area will require new processes and greater monitoring that will take time to implement. We have therefore reduced our 2006/07 target to 60%, with a gradual 5% increase over the following three years. We believe this is setting an ambitious, yet reasonable, set of targets. Data source: Our internal management information system.

Appendix 1

	Performance Measure
8.	**% of audited organizations satisfied with how we conducted our work**
	Our corporate values highlight the importance of maintaining independence and objectivity, integrity and open communications and of being service-focused in conducting our audits and assessments. These elements are also outlined in our operational standards of service. We survey those we audit to gain their perspectives on how well we met these values and operational standards. In prior years, this measure focused primarily on our objectivity, but it will now be expanded to encompass a broader range of our values. Based on our original measure, our results since 2003/04 have ranged from 61% to 76%. We have maintained our target of 80% pending further review of the results of this broadened measure. Data source: Survey of audited government organizations at the completion of each engagement.
9.	**Professional quality control standards met** (Previously "Level of compliance with CICA quality control standards.")
	The Canadian Institute of Chartered Accountants (CICA) issued new quality control standards effective December 1, 2005. These standards defined higher expectations in conducting audit and assurance engagements. In prior years, we reported the results of a general self-assessment to determine whether we were in compliance with these standards. We now plan to have an annual external review conducted by a peer legislative audit office, as well as detailed internal file inspections completed to provide an assessment of the extent to which we are meeting the standard. Data source: Results of external peer review and internal file inspections.
10.	**% of staff motivated and inspired ("engaged") by their work** (Previously "Work environment engagement score.")
	Much of the Office's success depends on the people within it. Employees account for 70% of the Office's resources. The extent to which employees are motivated and inspired ("engaged") by their work provides an indication of how high performing an organization is. Our results on this measure have ranged from 69% to 74% since this measure was implemented in 2002/03. We have set new targets to promote incremental improvements for the Office. Data source: An Office work environment survey carried out by an external consultant and Statistics Canada.

Appendix 2: Vision 2011 Work Environment and Operating Plan

The Office's Vision 2011 Work Environment and Operating Plan sets out a number of initiatives designed to implement best practices across the Office. These initiatives directly support Goal 5, best practices in our work and as an employer. The highlights of this multi-year plan are outlined here in relationship to our attributes.

1. *Our role and responsibilities as an independent audit office are well understood and respected by the Members of the Legislative Assembly and the public.*

   - Continue to develop an annual, multi-year focused strategic plan for the Office linked to a longer term vision
   - Present an annual work plan to the Legislative Assembly and its committees that provides information on our key activities related to financial audit, performance audit and accountability reporting projects
   - Provide regular briefings to legislative committees including caucus committees on our plans and priorities
   - Keep ministries, central agencies and government organizations up-to-date on our plans and requirements

2. *We are regularly sought out by legislators, government and our peers to provide support and advice.*

   - Develop an engagement strategy for how the Office interacts with the Public Accounts Committee
   - Continue to ensure our vision, mission, goals and objectives are framed to meet the needs of our key clients and stakeholders
   - Meet with our key clients and stakeholders to gain a better understanding of their needs
   - Review our current client survey tools and methodology
   - Learn from other audit offices by doing collaborative or concurrent audits

Appendix 2

3. *We model credibility, accountability, efficiency, effectiveness, openness and transparency and clearly operate in the public interest.*

- Prepare budget requests which best reflect our valued added as an audit office
- Annually assess our performance measures so they continue to improve how they reflect the BC Reporting Principles and what we are accountable for
- Review office-wide policies and procedures to improve efficiency, effectiveness and consistency and make these accessible through an improved Employee handbook
- Ensure we have appropriate fee recovery policies and systems in place
- Develop an internal accountability and performance monitoring process
- Re-design both our external website and internal intranet to improve effectiveness and usability
- Streamline and improve administrative documentation and procedures for audit work
- Examine office systems needs and support software and hardware requirements e.g., server upgrades/consolidation, roll-out of Windows XP
- Support improved project management e.g., implement software solutions
- Support use of innovative technology in our audit processes e.g., handwriting recognition, auditing software
- Prepare an information resources management plan
- Review current internal communications strategies and seek improvements as necessary

Appendix 2

4. *We are innovators and use best practices in carrying out our work to the highest professional standards*

   - Invite another legislative audit office to review our practices on a regular basis
   - Conduct a pilot program of file inspections to ensure audits are in compliance with standards
   - Respond to all relevant exposure drafts on proposed new professional accounting and auditing standards and participate on appropriate task forces
   - Revise our audit manuals to reflect new standards, procedures and best practices
   - Implement key controls to support financial administrative processes
   - Improve our presentation format/style and provide presentation training to staff

5. *We are an employer of choice with a highly motivated, fully engaged and dedicated team of professionals and support staff who meet both our corporate goals and their own individual goals.*

   - Work with external organizations e.g., accounting associations to improve recruitment efforts
   - Revitalize and manage the office outreach and student program
   - Make certain the Mentorship Program is active and meeting staff needs
   - Prepare a multi-year human resource management plan identifying office capacity requirements and links to the Office's Service Plan
   - Ensure a training and development plan is in place for the Office and individual employees
   - On a bi-annual basis, management to be assessed by staff, peers and supervisors to improve leadership
   - Review staff competency information, its use and recommend improvements
   - Use the employee professional development plan processes for corporate and individual feedback, development and linking effort to outcomes
   - Review rewards and recognition program to make sure it is effective
   - Ensure an updated succession plan is in place

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